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FOLLOWING REPEAT JIDDA 3714 ACTION SECSTATE MAY 25

QUOTE

S E C R E T JIDDA 3714

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E.O.: 11652: GDS

TAGS: PINT, SA

SUBJ: CORRUPTION IN SAUDI ARABIA: NORTHROP

REF : STATE 122311

SUMMARY: THE EFFECT ON NORTHROP'S FUTURE AND ON SAUDI-U.S. RELATIONS OF THE DIVULGING OF PAYMENTS BY NORTHROP TO KHASHOGGI WILL DEPEND ON WHO ELSE IS NAMED AS GETTING MONEY. IF IT STOPS AT KHASHOGGI, THE EFFECT COULD BE RELATIVELY MINOR. IF THE FORMER AND PRESENT COMMANDERS OF THE RSAF ARE NAMED, IT WILL BE HEARSAY AND THEY WILL CERTAINLY DENY ALL. ZUHAIR MAY OR MAY NOT LOSE HIS JOB AS A RESULT BUT U.S. AND NORTHROP'S DEALINGS WITH THE RSAF ARE IN ANY CASE LIKELY TO BE BADLY STRAINED FOR A TIME. MORE SERIOUS IS THE
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IMPLICATION THAT PAYMENTS THIS HIGH UP MIGHT INVOLVE

PERSONS EVEN HIGHER. IF MINISTER OF DEFENSE PRINCE SULTAN, VICE MINISTER PRINCE TURKI, OR ANOTHER ROYAL PRINCE ARE NAMED IN THE HEARINGS, THE EFFECT IS LIKELY TO BE VERY SERIOUS FOR NORTHROP AND POTENTIALLY SO FOR THE USG. IN THIS CASE SULTAN IS LIKELY TO COUNTERATTACK, ESPECIALLY NOW THAT HE SEEMS TO FEEL HIS POSITION IN THE SAG HIERARCHY HAS SUFFERED AS A RESULT OF THE RECENT GOVERNMENT CHANGES. WE CANNOT PREDICT IN WHAT WAY HE MIGHT COUNTERATTACK. HE MIGHT TRY TO PUT ALL THE BLAME ON NORTHROP. THE SAG IS PROBABLY TOO COMMITTED TO THE F5E FOR HIM TO ATTEMPT A COMPLETE BREAK WITH THE FIRM. THE TAINT OF CORRUPTION DOES NO GOOD FOR THE STABILITY OF THE SAUDI REGIME AND IF A GREAT DEAL OF SIMILAR DIRT COMES OUT AS A RESULT OF A WEEK'S HEARINGS THE EFFECT ON THE SAG COULD ALSO BE SERIOUS. THE AMBASSADOR WOULD LIKE TO SEE BARGER BEFORE HE TALKS TO ANYONE HERE. AS FOR SAUDI OFFICIALS, BARGER SHOULD PROBABLY START RIGHT OFF WITH A MEETING WITH PRINCE SULTAN. THE AMBASSADOR WILL NOT TAKE THIS SUBJECT UP WITH ANY SAUDI UNTIL THE RESULTS OF BARGER'S TALKS AND THE HEARINGS ARE CLEAR. IT MAY THEN BE ADVISABLE FOR HIM TO DISCUSS THE QUESTION WITH CROWN PRINCE FAHD. END SUMMARY.

1. THERE SEEMS LITTLE DOUBT THAT THE DISCLOSURE BEFORE THE CHURCH COMMITTEE OF NORTHROP'S PAYMENTS TO KHASHOGGI, ALLEGEDLY FOR PAYMENT TO SAUDI AIR FORCE OFFICIALS, WILL HARM NORTHROP'S FUTURE IN SAUDI ARABIA AND POSSIBLY, AT LEAST TO SOME DEGREE, U.S.-SAUDI RELATIONS. THE EXTENT OF THE DAMAGE WILL DEPEND ON HOW MANY AND WHAT NAMES ARE MENTIONED.

2. AS NOTED REFTTEL, KHASHOGGI'S NAME SEEMS SURE TO COME UP. THIS WILL BE BAD ENOUGH. HIS CONNECTIONS WITH THE SAUDI ESTABLISHMENT ARE WELL KNOWN AND IT IS LIKELY TO BE ASSUMED THAT HE WAS MAKING PAYMENTS TO SOMEONE IN THE POWER STRUCTURE. IF NO OTHER NAMES ARE BROUGHT OUT AS RECIPIENTS OF PAYMENTS, THE REPERCUSSIONS MIGHT BE LIMITED IN TIME AND AMPLITUDE. THE HARM DONE TO U.S. INTEREST COULD BE RELATIVELY MINOR. NORTHROP IS IN A BETTER POSITION THAN WE TO ASSESS THE DAMAGE TO ITS OWN FUTURE IN THIS CASE.

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3. IF IT COMES OUT THAT THE PAYMENTS TO KHASHOGGI WERE MADE WITH THE UNDERSTANDING THAT THEY WERE TO BE PASSED ON TO THE COMMANDER OF THE RSAF AND THE THEN DEPUTY COMMANDER (NOW COMMANDER), IT WOULD PRESUMABLY ALSO BE POINTED OUT THAT THERE IS ONLY HEARSAY EVIDENCE TO IMPLICATE THESE MEN. THEY WOULD CERTAINLY DENY HAVING RECEIVED PAYMENTS. DEPEND-
ING UPON THE PLAUSIBILITY OF HIS DENIALS, ZUHAIR MIGHT KEEP HIS JOB FOR A WHILE. WE SUSPECT THAT NEITHER NORTHROP

NOR THE U.S. GOVERNMENT WILL FIND IT EASY DEALING WITH HIM AFTER THE DISCLOSURE. OPINIONS OF OUR OWN MILITARY PERSONNEL ABOUT ZUHAIR HAVE VARIED. THE CURRENT CONSENSUS SEEMS TO BE THAT HE IS DOING A QUIET GOOD AND EFFECTIVE JOB. IN HE IS FIRED AS A RESULT OF THE DISCLOSURE, IT MIGHT MEAN SOME SETBACK TO OUR ADVISORY EFFORT BUT THIS WOULD BE MANAGEABLE.

4. IF THE NAMES OF PRINCE SULTAN, PRINCE TURKI OR ANY OTHER MEMBER OF THE ROYAL FAMILY WERE TO BE CONNECTED WITH THE RECEIPT OF PAYMENTS FROM NORTHROP, WE ESTIMATE THAT THE RESULTS FOR NORTHROP WOULD BE SERIOUS AND THE EFFECT ON SAUDI-U.S. RELATIONS POTENTIALLY SO. THE ALLEGATIONS IN SUCH A CASE WOULD ALMOST CERTAINLY RECEIVE WIDE PUBLICITY IN THE U.S. AND ELSEWHERE. SAUDI ARABIA COULD NOT BE ISOLATED FROM SUCH PUBLICITY. PRINCE SULTAN, IF HE WERE MENTIONED, WOULD ALMOST CERTAINLY FEEL THAT HE HAD TO COUNTERATTACK TO PROTECT HIMSELF. THIS IS LIKELY TO BE ESPECIALLY TRUE AT THE PRESENT TIME SINCE HE IS SHOWING DEFINITE SIGNS OF SENSITIVITY ABOUT HIS POSITION WITHIN THE SAUDI HIERARCHY; HIS RELATIVE POSITION VIS-A-VIS NATIONAL GUARD COMMANDER PRINCE ABDULLAH HAS DECLINED SINCE THE LATTER'S APPOINTMENT AS SECOND DEPUTY PRIME MINISTER AND THIS HAS SHARPENED THE SENSE OF RIVALRY BETWEEN THEM. SULTAN MIGHT ALSO BE EXPECTED TO COME TO THE DEFENSE OF HIS FULL BROTHER PRINCE TURKI OR ANY OF THE OTHER ROYAL PRINCES.

5. PRINCE SULTAN WILL IN ANY CASE BE SENSITIVE TO CHARGES OF CORRUPTION IN HIS MINISTRY SINCE HE MUST BEAR THE ULTIMATE RESPONSIBILITY. THE HIGHER THE LEVEL OF CORRUPTION THE MORE HE MIGHT FEEL THE NEED TO PROTECT HIMSELF FROM CHARGES OF COMPLICITY.

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6. WE CAN ONLY SPECULATE ABOUT THE MANNER IN WHICH SULTAN MIGHT COUNTERATTACK. HE MIGHT BE TEMPTED TO PUT ALL THE BLAME ON NORTHROP. IT WOULD PROBABLY NOT BE POSSIBLE TO SEVER ALL CONNECTION WITH THE FIRM SINCE THE RSAF HAS GONE TOO FAR IN ITS COMMITMENT TO THE F5E TO CHANGE COMPLETELY NOW. WE CAN ALSO ONLY SPECULATE ON HOW DEEPLY THE REVELATIONS MIGHT AFFECT THE U.S. POSITION AS THE MAJOR INFLUENCE ON THE SAUDI ARABIAN ARMED FORCES.

7. IT IS SELF-EVIDENT THAT THE TAINT OF CORRUPTION WILL NOT DO ANY GOOD FOR THE POSITION OF THE SAUDI GOVERNMENT. AT THE PRESENTLY ANTICIPATED LEVEL THE REVELATIONS WILL NOT CAUSE A THREAT TO THE STABILITY OF THE REGIME. WE ARE OF COURSE CONCERNED THAT IN A WEEK OF HEARINGS A WHOLE NUMBER OF UNSAVORY FACTS MIGHT EMERGE WHICH, IN THE AGGREGATE, COULD CAUSE MORE

SERIOUS PROBLEMS FOR THE STABILITY OF THE SAG.

8. IT IS INDEED IRONIC THAT U.S. COMPANIES WHICH HAVE BEEN RELATIVELY THE CLEANEST AND THE U.S. GOVERNMENT WHICH HAS BEEN SCRUPULOUSLY CAREFUL OF SAUDI FUNDS SEEMS LIKELY TO EMERGE FROM THESE HEARINGS WITH A BESMIRCHED REPUTATION TO THE BENEFIT OF OTHERS WHO HAVE NEVER BEEN TROUBLED BY ETHICS IN THEIR ARMS DEALINGS.

9. WE WILL BE PLEASED TO SEE BARGER WHEN HE COMES OUT. THE AMBASSADOR WILL WANT TO SEE HIM BEFORE HE TALKY TO ANYONE ELSE. AS TO WHOM HE SHOULD SEE, THERE SEEMS LITTLE POINT IN STARTING BELOW THE LEVEL OF PRINCE SULTAN. UNTIL AFTER BARGER HAS MADE HIS APPROACHES, WE DO NOT INTEND TO DISCUSS THIS MATTER WITH ANY SAUDI OFFICIALS. AFTER BARGER HAS LEFT AND, DEPENDING UPON THE RESULTS OF HIS CONVERSATIONS AND WHAT ALLEGATIONS EMERGE FROM THE HEARINGS, THE AMBASSADOR WILL PROBABLY HAVE TO TAKE THE SUBJECT UP WITH CROWN PRINCE FAHD IN AN ATTEMPT TO MINIMIZE THE DAMAGE TO SAUDI-U.S. RELATIONS. AKINS. UNQUOTE INGERSOLL

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